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UNCLAS LAGOS 002563

SIPDIS

STATE FOR AF/W  
STATE FOR EB/ESC/IEC/ENR/BLEVINE  
STATE FOR DS/IP/AF  
STATE FOR INR/AA  
STATE PASS DOE FOR DAS JBRODMAN AND CGAY  
STATE PASS TREASURY FOR ASEVERENS AND SRENANDER  
STATE PASS DOC PHUEPER  
STATE PASS TRANSPORTATION MARAD  
STATE PASS USAID FOR GWEYNAND AND SLAWAETZ  
STATE PASS EX-IM FOR JRICHTER  
STATE PASS OPIC FOR CDUFFY  
STATE PASS TDA FOR BTERNET

E.O. 12958: N/A

TAGS: [EPET](#) [EINV](#) [NI](#) [ENERG](#)

SUBJECT: NIGERIA-SAO TOME JOINT DEVELOPMENT ZONE LICENSING  
ROUND CLOSES

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SUMMARY  
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1. (U) The Nigeria-Sao Tome and Principe Joint Development Zone (JDZ) call for bids for five deep offshore oil blocs closed December 15, with 26 firms bidding. The GON expects to announce final results on December 31. High interest is centered on Bloc 4, with Houston-based Environmental Remediation Holding Corporation (ERHC), Nigerian firm Conoil, and U.S. firm ECL International considered among the strongest contenders. End summary.

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JDZ 2004 Licensing Round Bids  
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2. (U) Last month, the Nigeria-Sao Tome and Principe Joint Development Zone (JDZ) opened a call for bids for the award of five deep offshore oil blocs in the zone. Bidding in this second JDZ licensing round closed December 15. Edmund Daukoru, Presidential Adviser on Petroleum and Energy, said the awards of oil blocks 2 through 6 would be concluded by 31 December, 2004, when winners will be announced. (Note: The GON awarded rights to develop bloc 1 to a consortium involving ChevronTexaco, ExxonMobil and Norway's Equity Energy Resources for \$123 million in 2003. End note.) Overall, 26 oil companies submitted bids for the five oil blocks on offer.

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Intense Bidding for Bloc Four  
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3. (U) There is considerable interest in bloc 4, which covers 857 sq km, and is considered the most lucrative bloc. Leading competitors for block 4 include Houston-based Environmental Remediation Holding Corporation (ERHC), now 50% owned by Nigerian operator Chrome Energy. (Note: Chrome is expected to exercise a preferential right for bloc 4, as the company secured working interests in six blocs two years ago. End note.) U.S. firm ECL International offered the largest signature bonus of \$175 million, and so must be considered a leading competitor. (Note: Signature bonuses are one important component in the GON's evaluation of a firm's offer.) However, the spotlight has been on Nigerian firm Conoil's offer of a signature bonus of \$150 million (N20 billion). This is a ground-breaking offer for an indigenous firm, which historically have been small and undercapitalized. The GON is attempting to increase national content in the energy sector; awarding bloc 4 to Conoil would meet this objective, while still ensuring the GON gains a significant signature bonus. U.S. firm Vintage Oil and Gas also bid on Bloc 4, offering a \$135 million bonus; indigenous oil companies Anardako Petroleum and Hercule Oil/Centurion Energy bid \$90 million and \$81 million, respectively, in signature bonuses.

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Bids For Additional Blocs  
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4. (U) Energy Equity Resources, Filtim Huzod Oil and Gas Limited, and a consortium composed of Kuwait-based I.C.C. and Iranian firm Oil Exploration and Operations Company (OEOC) bid for blocks 3, 5 and 6. Signature bonuses offered by these companies ranged between \$37 million and \$45 million.  
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